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DEPT FOR EB A/S ANTHONY WAYNE; SA/INS FOR J. BRENNIG, N.
DEAN; PLEASE PASS TO TSUNAMI RECONSTRUCTION TASK FORCE;
TREASURY FOR C. CARNES; MCC FOR D.NASSIRY

SENSITIVE

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SUBJECT: SRI LANKAN POST-TSUNAMI RECONSTRUCTION UPDATE (JULY 7, 2005)

1. (U) This cable provides information for the July 7, 2005 post-Tsunami IAWG meeting.

Maldives Update

2. (SBU) Fathmath Nuzuha, Assistant Undersecretary of External Resources Management at the Ministry of Finance and Treasury has informed the embassy that the GORM wants to use 30% of US assistance for improving sanitation and the water supply, 30% for building harbors, 15% for strengthening the public accounting system of the Tsunami Relief and Rehabilitation fund, and 25% for rebuilding the power sector. However, we are still waiting for the Government of Maldives (GORM) Planning Department to provide more detailed feedback for potential projects. The embassy has requested that the Maldives now provide specific details on the type of projects it plans on implementing instead of general concepts as previously proposed to the GORM.

3. (SBU) This change is due to concerns that the General Accounting Office will want more details explaining how the embassy is monitoring US government funds. Econoff has requested that the GORM provides a list of programs, purpose of programs, a justification for the need of the programs, program budgets and benchmarks for what GORM hopes to accomplish with USG assistance. Nuzuha notified Econoff today that they could not provide detailed information on proposed projects until Monday. Econoff will forward all details to Washington as soon as possible.

4. (U) Embassy proposes that some of the US assistance be reserved to pay for administration and travel costs for monitoring the implementation of projects. The embassy is assessing what amount will be required.

Sri Lanka: Follow-up on PAFFREL "malnutrition" assessment

5. (SBU) The People's Action for Free and Fair Elections (PAFFREL), an organization founded to monitor elections, cited the malnourishment of children in tsunami relief camps as a serious problem in its May 2005 report. However, in a June 30 meeting with Poloff, PAFFREL Representatives Rohan Hettiarachchi and Thusitha Aluthpataberdig, stated that children in the tsunami relief camps are receiving adequate nutrition. Aluthpataberdig says that PAFFREL based its report on representatives' personal observations without reference to any scientific guidelines to measure the nutritional level of a child. The United Nations Children's Fund (UNICEF) Health Unit Doctor, Aberra Bekele, told Poloff on July 1 that malnourishment was already a problem in many tsunami-affected areas prior to the natural disaster, and

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that UNICEF has not received any reports of severe malnutrition in tsunami relief camps. UNICEF will release another report in early August concerning the diet of tsunami-affected youth, in which Dr. Bekele said she expects

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to find improvements in children's access to essential nutrients.

Housing Update

6. (SBU) According to TAFREN (Task Force for Rebuilding the Nation), as of July 03, 2005, 41,009 transitional accommodation units have been completed. In addition, by July 15, TAFOR expects all families living in emergency shelters to move to transitional houses. The Government of Sri Lanka (GSL) confirms that the transitional homes are only for temporary living and therefore may not conform to the best practices in building construction. TAFOR and TAP (Transitional Accommodation Project) have tried to ensure that construction of units meets a given criteria, e.g., a minimum area of 400 square feet, and one toilet and shower per 20 persons. However, some of the transitional units are smaller than the agreed area, built with inferior material and not suited to climatic conditions. NGOs are upgrading

some of these shelters to higher standards. In a June 23 TAFREN and limited Donor meeting, Mano Tittawella, Chairman of TAFREN, told participants that he has heard the most complaints about inadequate transitional shelters from people with housing provided by World Vision, an American NGO. These houses were not/not built with USG funds and USAID Mission Director Carol Becker confirms that the houses she inspected were made entirely of metal sheeting, making the houses hot and uninhabitable.

Tsunami Consultation

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17. (SBU) In a July 05, 2005 meeting, Ambassador Lionel Fernando, Chairman of the Disaster Management Relief unit of the Human Rights Commission informed Poloff that his organization just started conducting a comprehensive survey of Tsunami victims from 1,142 villages in 5 provinces and 13 districts. The goal of this research is to determine the people's perception of reconstruction progress, to study the ethnic dimension of tsunami reconstruction, and to measure the equity of the distribution of funds. Fernando said that this is the first time since the tsunami that the government has formally consulted victims. Ambassador Fernando promised Poloff a copy of the results when the Human Rights Commission completes its research in mid-August.

100m/200m Buffer Zone Follow-up

18. (SBU) The GSL currently is working to resolve the continued controversy over building restrictions that prohibit people from living and rebuilding within a pre-determined 100 to 200 meters of the coast. Pressure to increase flexibility or remove the buffer zone has increased over the last couple weeks and the government has appointed a 13-person committee to investigate whether this requirement is necessary. The opposition United National Party (UNP) has pledged to immediately remove the buffer zone within its first day in office if elected. The embassy is still seeking experts in the US to help analyze the buffer zone issue. However, the time to offer any useful input on the process is running out. Immediate action is required if there is serious interest in shaping GSL's buffer zone policy.

VAT Update

19. (SBU) A recent meeting between Econoff, USAID staff and GSL Ministry of Finance officials led to a more streamlined process for getting VAT exemptions for contractors and grantees. USAID is in the process of assembling the details requested for each contractor/sub-contractor and grantee/subgrantee for submission to the Ministry of Finance so tax-exempt letters can be issued. USG will only have to document individual purchases greater than 100,000 Sri Lankan Rupees (approximately \$1,000) rather than every item purchased.

The Joint Mechanism and the Regional Fund

10. (SBU) The recent signing of a Post-Tsunami Operational Management Structure (P-TOMS) also known as the Joint Mechanism (JM) has increased political tension within the country as well as created new institutions for the rebuilding process. Besides creating a new High-Level Committee and a Regional Reconstruction Committee (Regional Committee) staffed by the LTTE, the GSL and representatives from the Muslim community, the P-TOMS calls for the creation of the Post-Tsunami Coastal Fund (the Regional Fund) for the six districts funded by donors. The "Fund's" purpose is to facilitate and accelerate relief, rehabilitation, reconstruction in the tsunami-affected areas of the North and East. It will not fund large infrastructure projects. Although the Regional Committee is responsible for review and recommendations of projects and implementing mechanisms, the World Bank as custodian of the Fund will ensure that the projects fall within the parameters of the "Fund" before approving the release of monies. On behalf of the donors who invest in the Fund, the World Bank will hire a Management Agent to monitor projects and ensure adherence to procurement and financial standards and practices.

11. (SBU) USAID Mission Director Carol Becker, Poloff, and other major donors and multilateral reps attended a June 29 World Bank meeting to discuss how the Sri Lanka Tsunami Reconstruction Fund would operate. (n.b., the US will not contribute to the Fund) The discussion revealed that many practical details of the Fund remain unresolved. Among such details is what mechanism the World Bank will use to transfer funds to implementing agencies and whether the High Level Committee has the authority to veto proposals endorsed by the Regional Committee. World Bank Country Director Peter Harrold told the group that he would be having back-to-back meetings with the Treasury and the LTTE in Kilinochchi in coming days in an effort to resolve these issues.

Harrold also reported that that the Regional Committee, which will be chaired by the LTTE, would have to be informed of all reconstruction activities occurring in the north and east, regardless of the source of funding. Also, results of an impromptu poll conducted among participants at the meeting revealed that most donors supported the EU as the bilateral observer. [Note: In separate discussions, it was agreed that Japan, whose representative did not attend the meeting, will likely share the bilateral observer chair with the EU. End note.] USAID Mission Director Carol Becker - reiterated U.S. inability to contribute to the fund due to the LTTE's participation.

12. (SBU) Harrold described the proposed Multi-Donor Trust fund as the same type of trust fund as had been previously set up by the World Bank and as previously envisioned under the unimplemented North-East Reconstruction Fund (NERF). The Trust Fund will feed the Regional Fund described in P-TOMS, but the World Bank must still work out the process by which money gets from the World Bank account in Washington to the GSL Treasury to implementing agencies in the field.

--Harrold suggested one possible scenario: Money will go to an account either in name of the GSL Treasury or the Relief, Reconstruction and Rehabilitation Ministry (3R Ministry) into the regional fund. Once the Regional Committee receives and approves project proposals, the World Bank will verify that the proposals appear to be effective uses of the money for the agreed upon purposes. The World Bank will still have to satisfy the donors that the funds are being used for the intended purposes. If so verified, there will be an agreement between the World Bank and the implementing agency, and funds will go to the implementing agency. How exactly funds get to the implementing agency, as noted above, must still be worked out. Harrold underscored LTTE insistence that, whatever the routing or format used, the World Bank must "sign the checks."

13. (SBU) Comment: There are still many unresolved issues surrounding the implementation of the P-TOMS such as Muslim representation, locations of committee meetings and the role of the international observers. The Regional and High Level committees will likely try to shape the rebuilding effort, which raises concerns since the USG will have a very limited ability to steer or influence these new institutions due to our inability to work with the LTTE. However, it is unlikely that these committees can influence the large-scale infrastructure projects since most donors already have MOU's with the GSL. The most likely scenario is that they will influence where the small-scale projects go and to whom.

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